

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 NSC-05 SS-15 TRSE-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

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AGR-05 /081 W

-----091130Z 093070 /12

R 090715Z MAY 77

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 523

INFO AMCONSUL ZAGREB

USMISSION OECD PARIS

C O N F I D E N T I A L BELGRADE 2839

US OECD FOR BOSWORTH

E.O. 11652: GDS

TAGS: ETRD, CIEC, EGEN, YO

SUBJECT: U.S. VIEWS ON CIEC

REF: (A) BELGRADE 2536; (B) STATE 90658

SUMMARY. CHARGE CALLED MAY 5 ON ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS VRHUNEC, SENIOR GOY OFFICIAL WITH POLICY RESPONSIBILITY FOR CIEC, TO EMPHASIZE IMPORTANCE OF MAINTAINING CONSTRUCTIVE ATMOSPHERE AND AVOIDING CONFRONTATION AT CIEC. POINT FOR FURTHER PROGRESS ON NORTH-SOUTH ISSUES. CHARGE EXPLAINED THAT U.S. ADMINISTRATION HAD CAREFULLY IDENTIFIED AREAS WHERE PROGRESS AT PARIS SEEMED POSSIBLE AND OTHERS WHERE IT WAS NOT. VRHUNEC RESPONDED TO CHARGE'S DETAILED PRESENTATION THAT GOY WAS IN TOTAL AGREEMENT OF IMPORTANCE OF MAINTAINING CONSTRUCTIVE DIALOGUE WITH SPECIFIC RESULTS AT EACH STEP. ALTHOUGH HE APPEARED SINCERE, SIGNIFICANT DIFFERENCES WILL LIKELY REMAIN BETWEEN U.S. AND YUGOSLAV POSITIONS ON SUCH ISSUES AS DEBT RELIEF AND COMMON FUND. END SUMMARY.

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1. STRESSING THE MAJOR SIGNIFICANCE OF HIS APPROACH TO VRHUNEC, THE CHARGE MADE DETAILED PRESENTATION OF TALKING POINTS REFTEL B AND LEFT "NON-PAPER". CHARGE EMPHASIZED GREAT IMPORTANCE U.S. ADMINISTRATION ATTACHES TO MAINTAINING DYNAMIC, MUTUALLY BENEFICIAL RELATIONSHIP AMONG DEVELOPED AND DEVELOPING COUNTRIES. DUE TO ITS TEMPORARY NATURE AND RESTRICTED MEMBERSHIP, CIEC COULD NEITHER SERVE AS FORUM FOR

NEGOTIATING BINDING COMMITMENTS NOR PROVIDE FINAL ANSWERS TO MANY QUESTIONS. AS A FOCAL POINT, HOWEVER, CIEC COULD HIGHLIGHT POSITIVE RESULTS AND OPEN WAY TOWARD FURTHER PROGRESS. IT WOULD BE ESSENTIAL TO MAINTAIN CONSTRUCTIVE ATMOSPHERE AND AVOID CONFRONTATION AT THE PARIS CONFERENCE.

2. VRHUNEC RESPONDED THAT GOY ABSOLUTELY AGREED ON IMPORTANCE OF MAINTAINING CONSTRUCTIVE DIALOGUE SINCE U.S. AND YUGOSLAVIA AGREED ON THE ESSENTIAL ATMOSPHERE, IT WAS ALSO IMPORTANT TO UNDERSTAND MEANING WHICH THE YUGOSLAVS AND OTHER G-77 MEMBERS ATTACHED TO DISCUSSION OF NORTH-SOUTH ISSUES. THEY HAD TWO GENERAL GOALS: (1) TO ESTABLISH A NEW WORLD ECONOMIC SYSTEM IN WHICH ALL COUNTRIES WOULD FIND OPTIMUM CONDITIONS FOR DEVELOPMENT ON BASIS OF SOVEREIGNTY, EQUALITY, INDEPENDENCE AND JUSTICE, AND (2) TO NARROW GAP BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, A GAP WHICH WOULD EXACERBATE OLD PROBLEMS AND PROVOKE NEW CRISES. SINCE DIFFERENCES EXISTED ON APPROACH, PRIORITIES, INSTITUTIONS AND METHODS, IT WAS ESSENTIAL THAT EVERY OPPORTUNITY FOR DIALOGUE PRODUCE STEP BY STEP CONCRETE SOLUTIONS, WHICH WOULD PREVENT CONFRONTATION AND RADICALISM.

3. TURNING TO CIEC, VRHUNEC STATED THAT HE WAS DEEPLY PERSUADED OF THE NEED FOR CONCRETE RESULTS. HE NOTED THAT THE MINISTERIAL MEETING HAD BEEN POSTPONED TO PERMIT THE NEW U.S. ADMINISTRATION TO DEVELOP ITS POSITION. ALTHOUGH CIEC HAD ALREADY LED TO SOME VERY GOOD ACCOMPLISHMENTS, THE YUGOSLAVS WERE NOW EXPECTING THAT THE USG COULD OFFER A GOOD PACKAGE IN THE CURRENT CONTACT GROUP WORK.  
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WHILE ATMOSPHERICS OF THE CONFERENCE WOULD BE IMPORTANT FOR FUTURE COOPERATION, IT WAS ALSO ESSENTIAL TO APPLY AT PARIS ITSELF THE SMALL AMOUNT OF POLITICAL WILL WHICH WOULD TRANSFORM MANY "RIPE QUESTIONS" INTO GENUINE ACHIEVEMENTS.

4. VRHUNEC ASKED WHETHER THE U.S. HAD DEFINITELY FIXED ITS POSITION FOR THE PARIS CONFERENCE. HE INQUIRED WHETHER THE U.S. CONSIDERED THAT THE LONDON SYMMIT MEETING WOULD HAVE AN INFLUENCE ON CIEC. CHARGE RESPONDED THAT HE HAD PRESENTED THE U.S. ADMINISTRATION'S GENERAL CONCLUSIONS AND INTENTIONS, USEFULLY IDENTIFYING SOME SPECIFIC AREAS WHERE PROGRESS SEEMED POSSIBLE AND OTHERS WHERE IT WAS NOT.

5. VRHUNEC AGREED THAT CIEC COULD NOT PROVIDE BLANKET SOLUTIONS BUT REITERATED THAT MANY ISSUES WERE RIPE FOR PROGRESS. DEBT, COMMODITY, AND INVESTMENT ISSUES ALL WERE SUSCEPTIBLE TO PROGRESS. THE DEVELOPING COUNTRIES WERE NOT SEEKING DONATIONS, HE STATED, BUT LOOKING FOR COOPERATION ON SOUND ECONOMIC BASES WHICH WOULD AFFORD ACCESS TO MARKETS, CAPITAL,

TECHNOLOGY AND INFORMATION. THOUGH LDC'S MIGHT NEED SOME PREFERENTIAL TREATMENT, AND THERE MIGHT BE DIFFERENCE BETWEEN THE U.S. AND YUGOSLAV POSITIONS, THE GOY WAS NOT FIGHTING THE U.S. GOY WANTED TO CREATE AN ATMOSPHERE OF INTERNATIONAL COOPERATION BUT SIMULTANEOUSLY TO SEE CIEC BECOME ANOTHER STEP ALONG THE ROAD TO REAL PROGRESS.

6. THE CHARGE RESPONDED THAT THE U.S. ALSO WAS ADVOCATING A STEP BY STEP APPROACH AND ON THAT BASIS THE PRESENTATION WHICH HE HAD DELIVERED OF THE U.S. POSITION WAS VERY REALISTIC. IT CONTAINED CONSTRUCTIVE PROPOSALS WHICH FOCUSED PRECISELY ON THE AREAS WHERE PROGRESS COULD AND MUST BE MADE.

7. COMMENT. VRHUNEC APPEARED COMPLETELY SINCERE IN FINDING AFFINITY BETWEEN USG AND GOY ON NEED TO MAINTAIN POSITIVE ATMOSPHERE, TAKE STEP BY STEP APPROACH TO NORTH-SOUTH PROBLEMS, AND AVOID CONFRONTATION. COMMUNALITY OF

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ATTITUDE AND APPROACH, HOWEVER, WILL NOT OVERCOME DIFFERENCES ON WHICH QUESTIONS ARE RIPE FOR SOLUTION AND ON HOW TO SOLVE THEM. FURTHERMORE, VRHUNEC, DESPITE HIS KEY POSITION, WPQL NOT BE IMMUNE TO INFLUENCE OF OTHER GOY POLICY MAKERS WHO SUSPECT INTENTIONS OF U.S. AND OTHER DEVELOPED COUNTRIES. DIFFERENCES WILL CONTINUE TO PERSIST BETWEEN U.S. AND THE YUGOSLAVS ON SUCH ISSUES AS COMMON FUND AND DEBT RELIEF.  
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## Message Attributes

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